



August 16, 2012

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VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

Re: *Connect America Fund*, WC Docket N0. 10-90; *Rural Health Care Support Mechanism*, WC Docket No. 02-60
Ex Parte Notice

Dear Ms. Dortch:

On August 14, I spoke by telephone with Priscilla Delgado Argeris, Legal Advisor to Commissioner Jessica Rosenworcel, regarding the Commissioner's upcoming visit to Alaska. During that conversation, we briefly discussed the importance of sustained, predictable, and adequate universal support to the expansion of the infrastructure necessary to provide Alaska residents with services that most of the rest of the country takes for granted.

In our discussion, I highlighted two of GCI's major infrastructure initiatives undertaken over the past several years: the deployment of rural wireless service and the expansion of terrestrial middle-mile networks. USF programs, alongside GCI's private capital, provide funding necessary to both initiatives. As the Commission continues to reform the high-cost program, and reviews potential changes to the Rural Health Care program ("RHC"), it must recognize that predictable support from all USF programs is necessary to allow carriers to invest private capital in the middle-mile facilities necessary for advanced wireless services and residential broadband services.

The predictability provided in the Commission's 2008 exclusion of Alaska Native and Tribal Lands from the Interim CETC Cap, for instance, was key to the private capital investment required for deployment and continuing operation of rural wireless infrastructure, which will ultimately support 3G and 4G solutions. Likewise, as part of the *USF/ICC Transformation Order*, maintaining capped CETC support in Remote Alaska was critical to sustaining rural

wireless deployments. That said, the policy has not been without impact. The Remote Alaska cap failed to account for the lag between line reporting and USAC disbursement and, thus, significantly discounted the recent deployments and line growth, much of which was undertaken as a direct result of the Interim CETC Cap exclusion. Accordingly, the Remote Alaska cap is currently operating at a 6-8% reduction factor. New rural wireless deployments are on hold, pending further analysis, particularly in light of concerns about what successor competitive bidding mechanisms might look like. Mobility Fund Phase I, for instance, many not provide Alaska with any significant funding due to the state's extremely low population density and lack of road miles.

I explained that to ensure a sufficiently predictable revenue stream to support existing networks and to incent and leverage additional private investment to extend service to unserved areas, the Commission must, at minimum, preserve current funding levels for Remote Alaska and should seek to prioritize support in a way that yields infrastructure investment.

We also discussed my understanding that the greatest impact of the recent USF and ICC reforms on ILECs in Alaska generally appear to stem from reductions in access rates and to adjustments to corporate operations limits. Other notable effects appear to include the \$3000 per year, per line cap on Adak Eagle Enterprises and the impact of the regression analysis on Matanuska Telephone Association, Inc., which are both subject to pending waiver requests. We did not discuss the specifics of those waiver requests.

I also discussed GCI's major infrastructure investment in terrestrial middle-mile through its TERRA-SW and TERRA-NW networks. Funding for these networks were secured through a variety of means, including private financing, an ARRA loan/grant from RUS, as well as a grant from the Regulatory Commission of Alaska. I explained that anchor tenants participating in the Rural Health Care ("RHC") and E-Rate programs are essential to the ability to repay the private capital and RUS loans.

We also discussed the success of the RHC program in rural Alaska, primarily attributable to a centralized applicant pool in the regional health corporations and the differential between the urban and rural rates for such services. I emphasized the importance of maintaining the primary RHC program, not only to provide the needed health services in isolated parts of Alaska, but also to help support expansion of terrestrial middle-mile networks that can be used to expand advanced broadband services to all consumers in a state with limited infrastructure.

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Please contact me if you have any questions.

Sincerely,

/s/ Tina M. Pidgeon

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Cc: Priscilla Delgado Argeris